

FISCAL NOTE

HB 3177 - SB 3019

March 15, 2006

SUMMARY OF BILL: Redefines “textbook” and “workbook” as it applies to sales and use tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$521,000

Decrease Local Govt. Revenues - \$167,000

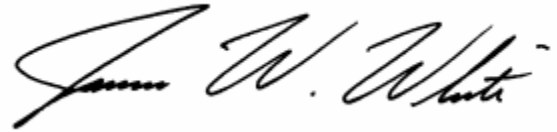
Assumptions:

- Textbooks and workbooks are currently exempt from sales and use tax, but are limited to printed materials exclusively.
- This bill adds various electronic media to the definitions of “textbook” and “workbook”.
- The definitions proposed in this bill do not include computers or computer software.
- Based on a pilot program implemented by a major textbook wholesaler, the sales of electronic media textbooks comprise 5% of sales in 10 college bookstores across the country.
- The pilot-program is representative of wholesalers in Tennessee.
- The Department of Revenue indicated that sales tax on textbooks would generate approximately \$9.9 million for the state and \$3.4 million for local governments if such items were taxable.
- Based on the above information, the total estimated base would be approximately \$148.9 million ($[\$9.9 \text{ million} \div 7\% \text{ state rate}] \div [100\% - 5\%] = \$148,872,180$).
- Assuming 5% of the total estimated base is for sales of electronic-media-type textbooks and workbooks, the current taxable portion of the base would be approximately \$7,445,000 ($\$148.9 \text{ million} \times 5\% \text{ portion} = \$7,445,000$).
- The decrease to state revenues is estimated to be \$521,000 ($\$7,455,000 \times 7\% \text{ state rate} = \$521,850$).
- The decrease to local government revenues is estimated to be \$167,000 ($\$7,455,000 \times 2.25\% \text{ local option tax rate} = \$167,738$).

- This act would take effect July 1, 2006.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director